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WISCONSIN BUSINESS & ECONOMIC DEVELOPMENT
UNIVERSITY OF WISCONSIN
1115 UNIVERSITY AVENUE
MADISON, WISCONSIN 53706-1393

ANNUAL REPORT
1999



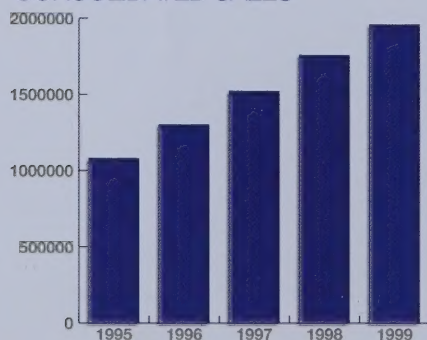
FINANCIAL & OPERATING HIGHLIGHTS

Fiscal Year ended April 3/99
(in thousands of dollars
except per share data)

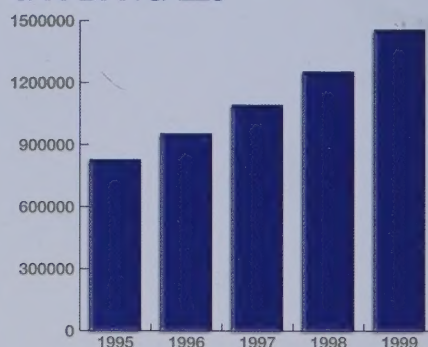
Fiscal Year ended March 31/98
(in thousands of dollars
except per share data)

	Consolidated	Canada	Consolidated	Canada
Sales	\$1,960,274	\$1,451,071	\$1,760,160	\$1,251,197
Earnings before interest, unusual items, taxes, depreciation & amortization	14,696	41,742	31,989	50,541
Earnings (loss) before tax	(102,723)	12,020	3,307	30,548
Net earnings (loss)	(82,245)	38,511	3,961	31,202
Net earnings (loss) per share	(\$6.48)	\$3.03	\$0.31	\$2.46
Total assets	\$338,516	N/A	\$441,307	N/A
Shareholders' equity	56,329	N/A	89,866	N/A
Number of stores at end of fiscal year				
Supercentres	80	80	104	76
Electronics Express stores	0	0	6	6
Computer City stores	7	7	-	-
Growth in total sales	11%	16%	16%	14%
Growth in same store sales	7%	6%	6%	9%

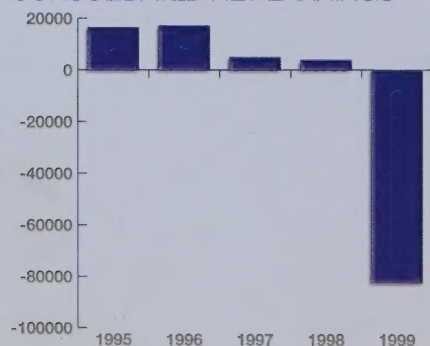
CONSOLIDATED SALES



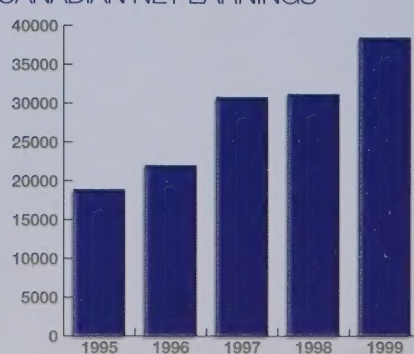
CANADIAN SALES



CONSOLIDATED NET EARNINGS



CANADIAN NET EARNINGS



Fiscal 1999 was a very difficult year for Future Shop. For most of the year we concentrated our energies on turning around our U.S. operations. We made significant progress in this respect. Our operations improved and our sales increased. However, we still had a long way to go before we could stem the losses in the U.S. We came to the conclusion that the level of losses being incurred in the U.S. were not sustainable and, regrettably, on March 9th we decided to terminate the operation in the U.S. and exit that market.

Exiting the U.S. market will allow us to concentrate on our Canadian operations. We continued with the expansion of our Canadian stores and opened 5 new stores and relocated another 2 stores during the course of fiscal 1999. We will continue with this program in fiscal 2000 and will be opening 3 new stores and relocating 7 others.

During fiscal 1999 we acquired the Computer City stores in Canada from a U.S. retailer which was exiting the Canadian market. We believe that this was an important strategic acquisition which will enable us to maintain and strengthen our leadership position in the sales of computer products in Canada.

We continued to invest heavily in information technology in order to reduce costs, provide better customer service, produce superior management information reporting and improve distribution channel management. The investment in information systems amounted to approximately \$44 million in fiscal 1999 and we plan to invest an additional \$20 million in fiscal 2000. We anticipate significant cost savings and efficiencies from this investment.

The systems which are expected to provide the greatest benefits are scheduled to be put into operation later this year. In addition to developing and installing new systems, we have made our legacy system year 2000 compatible and do not foresee any problems in this respect. We continue to believe that our new systems will enable us to run a far more efficient and cost effective operation and thus will give us a significant competitive advantage.

We have had our setbacks during fiscal 1999, however we are looking forward to the future with confidence and optimism. We have a strong brand name. We have a large number of loyal customers. We have loyal, hard working and competent associates and we have a very strong management team. We have built the infrastructure which will enable us to deliver our products and services at the lowest total cost to our customers.

The combination of the above gives us a very strong competitive position in the market and we intend to use this position in order to achieve profitable growth.

We will not have a business without our loyal customers. I would like to thank all our customers for shopping at Future Shop. We shall be making every effort to provide them with better service in the years to come. I would also like to thank our associates for their dedication and hard work. We can only succeed if we have loyal, knowledgeable and hard working associates. Last but not least, I would like to thank our shareholders, suppliers, bankers and professional advisers for their support during the past year.

Hassan Khosrowshahi
*Chairman of the Board,
President and C.E.O.*

INVESTING In Our PEOPLE

INNOVATION

At Future Shop
our people make
the difference. We
believe in our people and
we believe in providing them
with the means to grow and
realize their potential. Our peo-
ple foster a culture of dignity, team-
work, openness, innovation, hard work and
most of all are proud to be a part of Future Shop.

Everyday our associates focus on adding value to each customer's experience, whether in store, over the telephone or on the Internet. Over the past years, the hard work of our associates has built Future Shop into one of the leading retailers in Canada and the largest company in the country in our business sector, with stores operating in communities from British Columbia to Newfoundland. Today, in our Renaissance Program, our associates are developing the business systems that will allow us to accommodate considerable future growth, provide better customer service, offer improved business reporting and furnish us with more sophisticated business management tools. This fiscal year we recognized an opportunity to apply our knowledge of the Canadian computer business by acquiring the operations of Computer City Canada. This move brought us the valuable expertise and knowledge of the associates of Computer City. The acquisition was more than just buying retail stores; it was about adding to our organization a team of associates who are experts in serving the Canadian computer consumer.



Dignity

TEAMWORK

Openness

HARD WORK

skills

CUSTOMER SERVICE



Training

Product Knowledge

The G.U.E.S.T. program, a comprehensive training initiative to build and improve customer service, was launched early this past fiscal year and has prompted many positive comments. Investing in our people rewards both our associates and our customers and has always driven the growth of our Company. Today, extensive training programs on product knowledge and customer service are offered to our retail associates providing them with the skills and expertise which enables them to offer professional service to our customers. These training programs are part of a larger effort designed to enhance our associates' ability to meet and exceed our customers' expectations.



We recognize that improvements in our business must be designed to provide benefits to our customers, either through better service, lower prices, an improved in-store experience or better product selection. Satisfied customers are the key to our success.

we sell STATE of the art technology

Future Shop offers consumers some of the most exciting and sophisticated products available today. Future Shop associates provide our customers with products to enrich their lives, from a digital home theatre with direct to home satellite television to a wireless telephone to respond to e-mail.

Our customers find products at Future Shop that give them the opportunity to realize their potential. Products that incorporate breakthrough technology and breathtaking performance enable our customers to improve their lives. This past year we saw particular growth in the popularity of new technologies such as direct to home satellite television systems, digital cameras, DVD video and wireless communications. Future Shop also offers a wide range of services, including product delivery, installation, upgrade, warranty and repair programs.



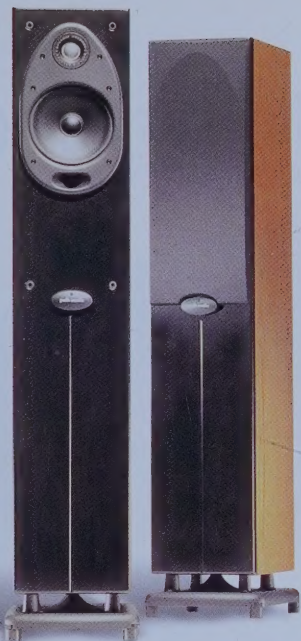
& COMPUTERS information products

Products in our Home Office group allow our customers to realize their potential in educational, business and creative endeavours.

The Home Office category includes computers, printers, scanners, software, fax machines and personal organizers.

Future Shop is the Canadian industry leader in the sale of computers to the home PC consumer, and carries information products from quality brand name manufacturers including Apple, Brother, Compaq, Epson, Hewlett Packard, IBM, Panasonic, Sharp, Sony and Toshiba.





audio&VIDEO

Future Shop had significant growth in the Audio Video product categories this past year. These categories include products such as televisions, videocassette recorders, digital camcorders, DVD, direct to home satellite systems and home and mobile stereo components and systems. We experienced dramatic increases in market share in every department. We are currently the leader in market share and sales in Canada in these categories and we expect to continue to grow our business this coming year. Our planned launch of StarChoice and Look Communications digital television products early this coming fiscal year reflects our commitment to being a leading retailer of content services in addition to consumer electronics hardware.

As part of

our commitment

to offering leading

edge products and tech-

nology, we plan to pursue

the retailing of digital cable,

expand our selection of audio prod-

ucts, and are eagerly anticipating the

introduction of high definition television

(HDTV), plasma screen TV and LCD TV. We are

currently introducing HDTV transition products and plan to be

the first to market HDTV in Canada. This past fiscal year we experienced

substantial gains in our sales of projection TVs and surround sound audio systems,

reflecting a shift in consumer tastes to buying home theatre packages rather than purchasing

audio and video products separately. In order to serve this consumer trend we are currently reconfiguring our loud speaker listening

rooms and enhancing our merchandising of audio and video products.

We are also upgrading our facilities for the custom installation of

car audio products and pursuing the offering of innovative

automobile electronics technology such as navigation products.

This past year also saw an expanded program of associate training

on product knowledge and service, encouraging an even

higher level of support of the products we sell and ensur-

ing that customers receive greater value when shopping

in our stores. Future Shop carries all major brands includ-

ing Bose, Canon, harman kardon, Hitachi, Infinity,

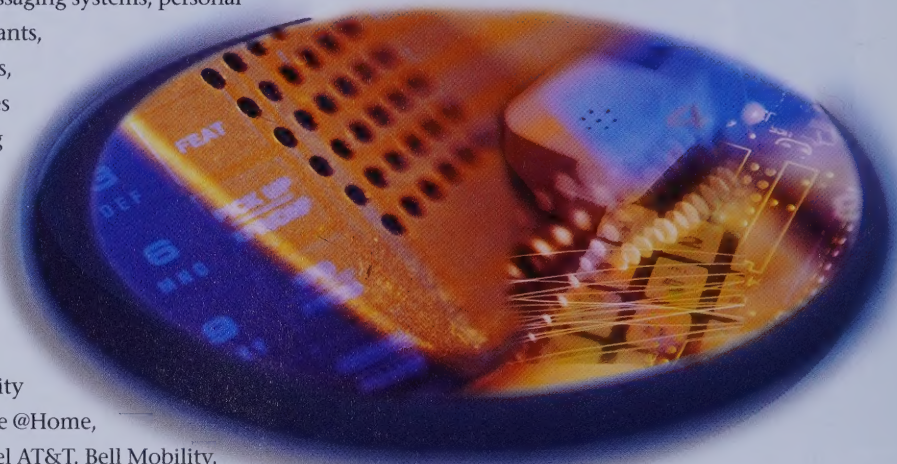
JVC, Kenwood, MTX, Panasonic, Pioneer, Polk,

Proscan, RCA, Samsung, Sharp, Sony and

Toshiba.



Wireless communication products are one of the fastest growing categories for Future Shop. This category includes products such as landline and wireless telephones, answering machines, voice and data messaging systems, personal digital assistants, Internet services, business machines and digital imaging products. Future Shop's selection of sophisticated communication products includes quality brands like @Home, Cantel AT&T, Bell Mobility, Clearnet, Fido, Motorola, Nokia, PageMart, Panasonic, Sony, Sympatico and 3Com.



communications

APPLIANCES

This past year we expanded our appliance offerings to include small electrical appliances such as breadmakers, fans, and toaster ovens. These products complement our existing wide

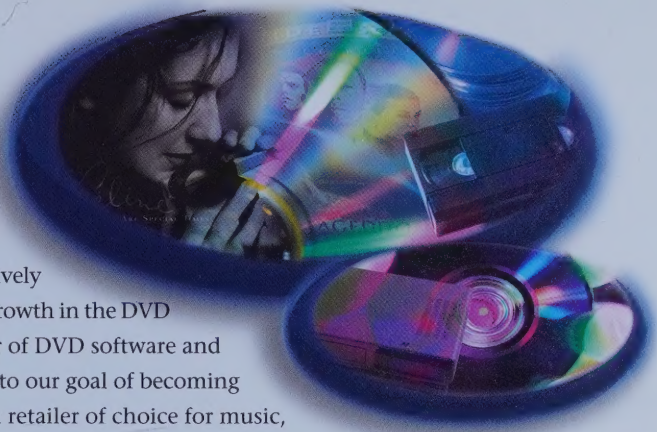
selection of major appliances, a category in which we gained market share across Canada this past fiscal year. In fiscal 1999 we also doubled our market share in vacuums and made significant

gains in our air conditioning business. The appliance category includes microwave ovens, ranges, laundry, refrigerators, freezers, dishwashers, vacuum cleaners and small electrical appliances. In this category we offer respected brands including Eureka, Frigidaire, General Electric, Hamilton Beach, Hoover, Jenn-Air, Magic Chef, Maytag, Moulinex, Panasonic, Whirlpool and Whirlpool Gold.



entertainment

Future Shop experienced significant growth in our share of the entertainment product market this past year; a year that saw relatively flat sales growth in the industry as a whole. Our growth in the DVD category led us to become the number one retailer of DVD software and hardware in Canada and brought Future Shop closer to our goal of becoming the country's premier total entertainment destination retailer of choice for music, movies and DVD. This coming year we plan to expand our commitment to support the development of new artists through our 'Future Stars' program, which encourages the ongoing growth of the industry. Future Shop has been proud to be involved in special events such as Edgefest, MusicWest, North by Northeast, and the Montreal, Toronto and Vancouver Jazz Festivals. Future Shop offers entertainment products by major labels and studios including BMG Music Canada, EMI Music Canada, Sony Music Canada, Universal Music, Warner Music Canada, Twentieth Century Fox Home Entertainment Canada, Universal Studios Canada, Warner Home Video, Paramount Home Video, Columbia Tristar and Buena Vista Home Entertainment Canada, Warner Home Video and Paramount.



QUALITY innovation EXPERIENCE

Future Shop today is Canada's largest retailer of consumer electronics and computers and a major retailer of appliances and entertainment products. We are committed to bringing new technology products to the market first under the banner of Get It First at Future Shop. Our latest prototype stores present innovative displays and an exciting, lively in-store experience for our customers. Spectacular entertainment products including home theatre systems, DVD video and digital satellite systems are displayed for our customers in friendly, interactive settings. The consumer electronics industry expects that the imminent introduction of high definition television and related digital products will create consumer demand and strong sales, and Future Shop is well positioned to lead in this growing market.



guaranteed
LOWEST
PRICES

Our strategy is to offer the customer a broad selection of merchandise with expert assistance in finding the right products for their needs. Future Shop's Guaranteed Lowest Price program ensures that our customers receive the best prices.



We opened five new Future Shop stores and relocated two others in fiscal 1999 and we plan to open another three new stores and relocate seven in fiscal 2000. Our goal is to increase both the number of our stores in Canada and our market share. We expect the introduction of new products such as HDTV will contribute to the growth of our

existing business. We also intend to open Future Shop stores in smaller metropolitan areas within Canada and believe that there are many markets where the chain can be expanded profitably. A variety of standard store sizes have been developed to match the store size to the trade area in which it will be located. We have been successful in making Future Shop a leader in the retailing of consumer electronics, computers, appliances and entertainment products. We expect that a concerted focus on operating an efficient and profitable business and on adding value to improve our customers' experience and enhance the value of our brand will lead to positive growth this coming year. In addition to expanding the Future Shop chain, our immediate plans include creating similarly successful businesses with E-Commerce and Computer City.

E-COMMERCE

With the growing importance of E-Commerce in Future Shop's product categories we have decided to establish a significant presence for Future Shop in this area. During last year, we established a site to sell a limited selection of our products on the internet. We have gradually improved the selection of products and the functionality of the site.

During the past nine months, with the help of outside consultants, we have defined our goals and the route we will be taking in developing our E-Commerce capability. We plan to integrate our Internet business with our existing storefronts, to bring the best of Future Shop to the Internet and provide our retail store customers and sales associates with the best features of our Internet operations in store.

The Company has recently named an experienced VP of E-Commerce and will be making a significant investment in the development of E-Commerce Capabilities. We believe the attributes that have made us successful in the retail market will contribute to our success in the online market: namely hard work, wide selection, low prices and a commitment to providing tremendous service and value to our customers.



Future Shop's strong presence in the Canadian marketplace and high brand awareness provides the Company with a marked advantage in establishing an Internet sales presence. The Future Shop retail store locations will provide customers with a tangible point of reference and build a level of trust, a key element in on line brand and business development.

By this fall we will launch the new release of our site which will have significantly greater functionality, many new features and an extended range of products. After sales service will be available to our customers through our Future Shop locations and our call centre. We plan to improve the site and increase the range of the products on an ongoing basis and are committed to becoming a leader in the field of E-Commerce.

Computer City

Future Shop Ltd. acquired the operations of Computer City Canada in October 1998. Computer City sells computer hardware, peripherals, software and accessories to retail customers, corporate businesses and government agencies. Significant sales are generated to small, medium and large businesses. Stores average around 20,000 square feet and are located in retail areas adjacent to business districts. The addition of the Computer City banner allows us to build our leadership position in the sale of computer products in Canada, including expanding our current sales to corporations and government offices. The computer training and technical servicing infrastructure offered by Computer City provides customers with a full service environment to take care of all of their computing needs. Located in all Computer City locations, our Service Centres are staffed by up to twenty technicians who are A+ certified by the Computing Technology Industry Association, and who have completed training providing them with the highest manufacturer certified qualifications available.



Our technicians offer our customers computer upgrades, repair and diagnosis services. Our Software Training Centres offer specialized training covering a wide range of business and home office applications for all skill levels. The Training Centres offer our customers the opportunity to receive training in the latest software programs at convenient times and affordable rates. In addition to professional assistance from our associates in store, customers can also take advantage of delivery and expert set up services in their home or office for their computer system purchases. Computer City stores are located in Coquitlam and Richmond, British Columbia; Calgary, Alberta; and Mississauga, North York, Markham and Ottawa, Ontario.

MANAGEMENT'S

DISCUSSION AND ANALYSIS

Results of Operations

The following table presents the results of operations as a percentage of sales for the last two fiscal years:

	Year ended April 3, 1999	Year ended March 31, 1998
Sales	100.0 %	100.0%
Cost of sales	78.9 %	77.9%
Gross profit	21.1 %	22.1%
Selling, general and administrative expenses	22.1 %	21.9%
Earnings (loss) before income taxes & unusual items	(1.0)%	0.2%
Unusual items	(4.3)%	0.0%
Income tax recovery	1.1 %	0.0%
Net earnings (loss)	<u>(4.2)%</u>	<u>0.2%</u>

Sales

Sales for the fiscal year ended April 3, 1999 increased 11% to \$1.96 billion compared to \$1.76 billion for the previous fiscal year. On a consolidated basis, same store sales increased 7%. All of the sales increase occurred in Canada. Sales in the United States as measured in Canadian dollars showed virtually no change from the prior year. As measured in U.S. dollars, sales in the United States actually declined from the previous year due to the closure of the Utah stores in September 1998 and the closure of the remaining U.S. stores in March 1999. (See "U.S. Operations" on next page). Sales in Canada increased due to the opening of five new stores, the acquisition of the seven Computer City stores and an increase in same store sales of 6%.

	Canada	USA	Total 1999	Total 1998
Sales (\$'000)	\$1,451,071	\$509,203	\$1,960,274	\$1,760,160
Sales per retail square foot per annum	\$1,065	\$958	\$1,032	\$859
Growth in total sales	16%	0%	11%	16%
Growth in same store sales	6%	11%	7%	6%

The product mix changed slightly as the acquisition of Computer City increased the portion of sales derived from home office products to 51% from 49% of sales. The communications category decreased to 4% of sales from 7%.

	1999	1998
Home Office	51%	49%
Audio and Video	29%	29%
Appliances	7%	7%
Communications	4%	7%
Music Software	4%	4%
Other	5%	4%
	<u>100%</u>	<u>100%</u>

Gross Profit

The Company's gross profit margins declined to 21.1% from 22.1% in the prior fiscal year. Gross margins declined in both Canada and the United States across most product categories and was most prevalent in the home office category. Also, the acquisition of Computer City skewed the Company's Canadian sales mix toward lower margin product categories.

Selling, General & Administrative Expenses ("SG&A")

Future Shop's SG&A expenses, as a percentage of sales, increased from 21.9% in the previous fiscal year to 22.1%. The increase is primarily attributable to higher depreciation charges and a significant increase in spending on new information systems.

Unusual Items

During fiscal 1999, management decided to discontinue the U.S. operations. All stores have been closed, substantially all the inventory has been sold and the majority of employees engaged in operations related to those operations have been terminated or reassigned to the Canadian operations.

Included in unusual items, therefore, are costs related to the closure including liquidation of inventories, severance of employees, termination of real estate obligations and other closure expenses of approximately \$47.9 million. The loss on disposal and write-down of U.S. capital and other assets was \$32.5 million. In addition, the Company incurred other unusual items including approximately \$1.6 million in costs related to the closure of the Future Shop Express stores and a \$1.9 million write-down of other assets due to a permanent impairment in the value of a long-term investment.



Income Taxes

The Company recorded an income tax recovery of \$20,478,000 versus a recovery of \$654,000 for the previous fiscal year.

Canadian Operations

Net earnings from Canadian operations were \$38,511,000 compared to \$31,202,000 in the previous fiscal year. Net earnings from Canadian operations before income taxes and unusual items decreased to \$16,582,000 from \$30,548,000 in the previous fiscal year. This decrease was due to lower gross margins and increased SG&A as a percentage of sales.

U.S. Operations

Sales in the United States as measured in Canadian dollars showed no change from the prior year. However, as measured in U.S. dollars, sales in the United States actually declined from the previous year due to the closure of the Utah stores in September 1998 and the closure of the remaining U.S. stores in March 1999. The decline in sales was marginally offset by a 3% growth in same store sales in the United States as measured in U.S. dollars (11% in Canadian dollars). Losses continued as gross margins declined in all product categories from the prior year. The continuing losses led to the decision in March 1999 to close the U.S. operations. Losses before unusual items were \$35,475,000 as compared to \$27,241,000 in the prior fiscal year.

Consolidated Net Loss

The consolidated net loss for the year was \$82,245,000 as compared to consolidated net earnings of \$3,961,000 in the prior fiscal year.

Liquidity and Capital Resources

Cash flow used in operations during the year ended April 3, 1999 amounted to \$38,732,000 as compared to cash provided by operations of \$29,340,000 in the prior year.

At April 3, 1999, working capital had decreased to a negative \$32,549,000 compared to a positive \$18,720,000 at March 31, 1998. The decline is due to costs associated with the closure of the U.S. operations and the closure of the Future Shop Express stores in

Canada, as well as capital expenditures and investing activities.

Net capital expenditures for the year ended April 3, 1999 were \$68,905,000 as compared to \$32,694,000 in the prior year. The increase is due to expenditures to open five new stores in Canada, upgrades to management information systems and continued renovations of existing stores. In addition, \$12,894,000 was used to acquire the Computer City assets.

For the upcoming fiscal year Future Shop plans to incur capital expenditures of approximately \$45,000,000. The capital expenditure program will involve \$20,000,000 for the opening of new stores and the renovation or relocation of existing stores, \$20,000,000 for investment in new technology and information systems and \$5,000,000 for an enhanced e-commerce strategy.

Future Shop has a \$55,000,000 revolving credit facility, which increases to \$85,000,000 between April and December. At April 3, 1999, \$23,828,000 had been drawn down against this facility.

Management believes that cash flow from operations, the proceeds of the Offering and existing credit facilities will be sufficient to fund operations and capital expenditures for the coming fiscal year.

Dividend Policy

The Company intends to continue its policy of retaining its earnings for use in its business and does not expect to pay dividends on its Common Shares in the foreseeable future.

Outlook

Future Shop is planning to open three new stores in the coming year, one in Alberta, one in Québec and one in Nova Scotia. Seven existing stores will be relocated and selected departments within existing stores will be renovated and updated to increase sales.

Management believes that the investments in management information systems and technology will enhance the productivity and efficiency of Future Shop's operations and reduce the costs of doing business. In addition, the development of an enhanced e-commerce program should contribute to the growth of sales and extend Future Shop's market reach.

The closure of the U.S. operations will allow for reductions in corporate overhead as the need to perform administrative functions specific to the U.S. operations will disappear. Management intends to focus on realizing the economic advantages arising from Future Shop's dominant position in the Canadian marketplace. The development and growth of the Computer City chain should also provide a source of growth in sales and earnings in the coming years.

Year 2000

Future Shop uses computer technology throughout its business operations to carry on its day-to-day operations. The computer technology used includes not only the hardware and software used in Future Shop's management information systems, point-of sale systems, inventory and distribution management systems, but also embedded technology in a variety of ancillary systems ranging from heating and air-conditioning systems to security systems. Some of these ancillary systems are not under the direct control of Future Shop but instead are the responsibility of third parties. Future Shop also relies on its suppliers and business partners to achieve Year 2000 compliance and to continue to provide the goods and services they currently supply without disruption.

Future Shop cannot test the Year 2000 readiness of suppliers, especially suppliers providing critical services such as public utilities. Future Shop must therefore rely on and has endeavoured to obtain, assurances from these third parties as to the state of their readiness. Nevertheless, there can be no guarantees that problems will not occur and the nature and magnitude of these problems, if they occur, cannot not be foreseen.

Future Shop retails computers and related equipment, software and product that have embedded in them computer hardware and software. While Future shop is not the manufacturer of these products, there is a risk that purchasers of these products may attempt to hold Future Shop liable for damages or losses arising from the failure of these products to perform properly as a result of the Year 2000 issue. Moreover, the nature and magnitude of such claims cannot be foreseen. Future Shop's ability to successfully defend these claims, should they arise, to obtain indemnities from the manufacturers or to obtain coverage for such claims under insurance policies, can only be determined when and if such claims arise.

Internally, Future shop has been addressing the Year 2000 issue as part of a comprehensive project to upgrade most of its information systems. Certain of the new systems include new hardware and packaged software purchased from vendors who have represented that the systems are Year 2000 compliant. The Company also sought assurances from vendors that timely updates will be made available to make the remaining purchased software Year 2000 compliant. Internal and external resources were used to make the required modifications to all "legacy" systems and to test their Year 2000 compliance. These system upgrades are now nearly complete and final testing is expected to be completed by the summer of 1999.

Computer hardware and packaged software generally are capitalized when acquired. Internal and external costs incurred to develop internal-use software are capitalized during the application development stage. Amortization of computer hardware and software is recorded on the straight line method over their expected useful lives, commencing when ready for use following appropriate testing. Costs of computer hardware and software capitalized during the year ended April 3, 1999 totalled \$44,432,000. The Company intends to spend a further \$20,000,000 in the fiscal year ended April 1, 2000. These costs are part of a comprehensive plan for systems upgrades. Cost otherwise specifically related to the Year 2000 issue are not by themselves material.



SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

OF OPERATIONS (UNAUDITED)

Similar to most retailers, Future Shop's business is seasonal by nature. Sales in the fourth quarter of the calendar year are traditionally significantly higher than sales in any of the first three quarters due to holiday buying in November and December.

SUMMARY OF EARNINGS

(in thousands of dollars, except per share data)

FISCAL 1999	June 30 1998	October 3 1998	January 2 1999	April 3 1999	Total
Sales	\$388,700	\$487,618	\$659,109	\$424,847	\$1,960,274
Gross profit	\$83,717	\$106,678	\$135,308	\$87,848	\$413,551
Earnings before taxes & unusual items	(\$13,530)	\$2,304	\$9,629	(\$17,296)	(\$18,893)
Net earnings	(\$9,471)	(\$18,713)	\$4,686	(\$58,747)	(\$82,245)
Earnings per share	(\$0.75)	(\$1.48)	\$0.37	(\$4.63)	(\$6.48)

SUMMARY OF EARNINGS

(in thousands of dollars, except per share data)

FISCAL 1998	June 30 1997	September 30 1997	December 31 1997	March 31 1998	Total
Sales	\$354,310	\$414,603	\$585,600	\$405,647	\$1,760,160
Gross profit	\$79,215	\$89,566	\$129,178	\$91,428	\$389,387
Earnings before taxes	(\$6,653)	\$952	\$14,566	\$(5,558)	\$3,307
Net earnings	(\$5,027)	\$720	\$8,908	(\$640)	\$3,961
Earnings per share	(\$0.40)	\$0.06	\$0.70	(\$0.05)	\$0.31



FIVE YEAR REVIEW

- CONSOLIDATED

Years ending
(in thousands of dollars, except per share data and sales per retail square foot)

April 3/99 March 31/98 March 31/97 March 31/96 March 31/95

CONSOLIDATED SUMMARY OF EARNINGS

Sales	\$1,960,274	\$1,760,160	\$1,523,016	\$1,303,828	\$1,082,594
Gross profit	413,551	389,387	352,215	282,376	225,191
Selling, general and administrative expenses	432,444	386,080	348,583	261,467	194,800
Earnings before interest, unusual items, taxes, depreciation and amortization	14,696	31,989	27,777	35,824	38,315
Earnings before tax	(102,723)	3,307	3,632	20,909	30,391
Net earnings	(82,245)	3,961	5,015	17,235	16,544
Weighted average shares	12,692	12,670	12,670	12,670	12,670
Earnings per share	(\$6.48)	\$0.31	\$0.40	\$1.36	\$1.31

CONSOLIDATED SUMMARY OF EARNINGS PERCENTAGES

Gross profit	21.1 %	22.1 %	23.1 %	21.7 %	20.8 %
Selling, general and administrative expenses	22.1 %	21.9 %	22.9 %	20.1 %	18.0 %
Earnings before tax	(5.2 %)	0.2 %	0.2 %	1.6 %	2.8 %
Effective tax rate	19.9 %	(19.8 %)	(38.1 %)	17.6 %	45.5 %
Net earnings	(4.2 %)	0.2 %	0.3 %	1.3 %	1.5 %

CONSOLIDATED SALES STATISTICS

Total increase over prior year	11.4 %	15.6 %	16.8 %	20.4 %	82.2 %
Same store sales growth	7.4 %	6.4 %	(6.4 %)	(9.7 %)	32.4 %
Sales per retail square foot	\$1,032	\$859	\$822	\$1,093	\$1,502

CONSOLIDATED SUMMARY BALANCE SHEETS

Total current assets	\$221,329	\$333,038	\$302,868	\$271,789	\$209,864
Total assets	338,516	441,307	406,778	354,716	257,019
Total current liabilities	253,878	314,318	280,221	236,604	162,329
Non-current extended warranty plan	26,945	28,283	29,114	27,682	23,340
Total liabilities	282,187	351,441	302,873	273,826	193,364
Total shareholders' equity	56,329	89,866	85,905	80,890	63,655
Total equity and liabilities	338,516	441,307	406,778	354,716	257,019

SUMMARY OF CANADIAN QUARTERLY RESULTS

OF OPERATIONS (UNAUDITED)

Similar to most retailers, Future Shop's business is seasonal in nature. Sales in the fourth quarter of the calendar year are traditionally significantly higher than sales in any of the first three quarters due to holiday buying in November and December.

SUMMARY OF EARNINGS (in thousands of dollars, except per share data)

FISCAL 1999	June 30 1998	October 3 1998	January 2 1999	April 3 1999	Total
Sales	\$272,028	\$355,161	\$487,707	\$336,175	\$1,451,071
Gross profit	\$63,221	\$80,495	\$106,135	\$71,279	\$321,130
Earnings before taxes & unusual items	\$56	\$7,849	\$18,337	(\$9,660)	\$16,582
Net earnings	\$4,115	(\$307)	\$14,847	\$19,856	\$38,511
Earnings per share	\$0.32	(\$0.02)	\$1.17	\$1.56	\$3.03

SUMMARY OF EARNINGS (in thousands of dollars, except per share data)

FISCAL 1998	June 30 1997	September 30 1997	December 31 1997	March 31 1998	Total
Sales	\$252,681	\$305,513	\$416,855	\$276,148	\$1,251,197
Gross profit	\$57,750	\$70,854	\$95,067	\$63,988	\$287,659
Earnings before taxes	(\$1,310)	\$8,223	\$21,419	\$2,216	\$30,548
Net earnings	\$316	\$7,991	\$15,761	\$7,134	\$31,202
Earnings per share	\$0.02	\$0.63	\$1.25	\$0.56	\$2.46



FIVE YEAR REVIEW

(U N A U D I T E D)

Years ending
(in thousands of dollars, except per share data and sales per retail square foot)

	April 3/99	March 31/98	March 31/97	March 31/96	March 31/95
CANADA SUMMARY OF EARNINGS					
Sales	\$1,451,071	\$1,251,197	\$1,093,532	\$954,672	\$829,290
Gross profit	321,130	287,659	261,103	214,250	176,946
Selling, general and administrative expenses	304,548	257,111	231,685	186,679	142,457
Earnings before interest,unusual items, taxes, depreciation and amortization	41,742	50,541	46,685	38,592	40,525
Earnings before tax	12,020	30,548	29,418	27,571	34,489
Net earnings	38,511	31,202	30,801	22,022	18,906
Weighted average shares	12,692	12,670	12,670	12,670	12,670
Earnings per share	\$3.03	\$2.46	\$2.43	\$1.74	\$1.49

CANADA SUMMARY OF EARNINGS PERCENTAGES

Gross profit	22.1 %	23.0%	23.9%	22.4%	21.3%
Selling, general and administrative expenses	21.0%	20.5%	21.2%	19.6%	17.2%
Earnings before tax	0.8%	2.4%	2.7%	2.9%	4.2%
Effective tax rate	(220.4%)	(2.1%)	(4.7%)	20.1%	45.2%
Net earnings	2.7%	2.5%	2.8%	2.3%	2.3%

CANADA SALES STATISTICS

Total increase over prior year	16.0 %	14.4%	14.5%	15.1%	53.5%
Same store sales growth	6.2 %	9.2%	(3.0%)	(8.6%)	33.2%
Sales per retail square foot	\$1,065	\$915	\$805	\$1,048	\$1,471



FINANCIAL REVIEW

Management's Responsibility for Financial Statements

The management of Future Shop Ltd. is responsible for the integrity of the accompanying consolidated financial statements and all other information in the annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles, which recognize the necessity of relying on some best estimates and informed judgements. All financial information in the annual report is consistent with the consolidated financial statements.

To discharge its responsibilities for financial reporting and safeguarding of assets, management depends on the Company's systems of internal accounting control. These systems are designed to provide reasonable assurance that the financial records are reliable and form a proper basis

for the timely and accurate preparation of financial statements. Management meets the objectives of internal accounting control on a cost-effective basis through the prudent selection and training of personnel and the adoption and communication of appropriate policies.

The Board of Directors oversees management's responsibilities for financial statements primarily through the activities of its Audit Committee. This committee meets with management and the Company's independent auditors, Deloitte & Touche LLP, to review the financial statements and recommend approval by the Board of Directors. The financial statements have been audited by Deloitte & Touche LLP. Their report is presented below.

Hassan Khosrowshahi
*President, CEO and
Chairman of the Board*

Gary Patterson, CA
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Future Shop Ltd.

We have audited the consolidated balance sheets of Future Shop Ltd. as at April 3, 1999 and March 31, 1998 and the consolidated statements of earnings (loss), retained earnings (deficit) and changes in financial position for the period from April 1, 1998 to April 3, 1999 and the year ended March 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing

the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 3, 1999 and March 31, 1998 and the results of its operations and the changes in its financial position for the period from April 1, 1998 to April 3, 1999 and the year ended March 31, 1998 in accordance with generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants
Vancouver, British Columbia
May 14, 1999



CONSOLIDATED

BALANCE SHEETS

As at April 3, 1999 As at March 31, 1998

(in thousands of dollars)

ASSETS

CURRENT

Cash and short-term deposits	\$ -	\$ 58,945
Cash held in escrow (Note 5)	20,251	-
Accounts receivable	25,099	15,121
Inventory	160,092	254,690
Prepaid expenses	1,544	1,634
Future income taxes (Note 7)	14,343	2,648
	221,329	333,038
CAPITAL AND OTHER ASSETS (Note 3)	114,217	108,269
FUTURE INCOME TAXES (Note 7)	2,970	-
	\$ 338,516	\$ 441,307

LIABILITIES

CURRENT

Bank indebtedness, secured by a general security agreement covering all assets	\$ 23,828	\$ -
Accounts payable and accrued liabilities	219,550	309,838
Current portion of extended warranty plan	10,500	4,480
	253,878	314,318
EXTENDED WARRANTY PLAN	26,945	28,283
DUE TO AFFILIATED COMPANY (Note 4)	1,364	1,364
FUTURE INCOME TAXES (Note 7)	-	7,476
	282,187	351,441

SHAREHOLDERS' EQUITY

Capital stock (Note 5)	58,051	29,851
Special warrants (Note 5)	20,508	-
Retained earnings (deficit)	(22,230)	60,015
	56,329	89,866
	\$ 338,516	\$ 441,307

Commitments (Note 8)

APPROVED BY THE BOARD

Hassan Khosrowshahi (signed) Director

Gary Patterson, CA (signed) Director



CONSOLIDATED

STATEMENTS OF EARNINGS (LOSS)

	Period from April 1, 1998 to April 3, 1999	Year ended March 31, 1998
	(in thousands of dollars except per share amounts)	
Sales	\$ 1,960,274	\$ 1,760,160
Cost of sales	(1,546,723)	(1,370,773)
Gross profit	413,551	389,387
Selling, general and administrative expenses	(432,444)	(386,080)
Unusual items (Note 6)	(83,830)	-
Earnings (loss) before income taxes	(102,723)	3,307
Income tax recovery (Note 7)	20,478	654
Net earnings (loss)	\$ (82,245)	\$ 3,961
Earnings (loss) per share	\$ (6.48)	\$ 0.31
Weighted average number of common shares outstanding ('000)	12,692	12,670

CONSOLIDATED

STATEMENTS OF RETAINED EARNINGS (DEFICIT)

	Period from April 1, 1998 to April 3, 1999	Year ended March 31, 1998
	(in thousands of dollars)	
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 60,015	\$ 56,054
Net earnings (loss)	(82,245)	(3,961)
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ (22,230)	\$ 60,015



CONSOLIDATED STATEMENTS

OF CHANGES IN FINANCIAL POSITION

Period from
April 1, 1998
to April 3, 1999

Year ended
March 31,
1998

(in thousands of dollars)

OPERATING ACTIVITIES

Net earnings (loss)	\$ (82,245)	\$ 3,961
Items not involving cash		
Depreciation and amortization	31,496	28,294
Loss on disposal and write-down of capital and other assets	34,989	41
Future income taxes	(21,634)	(2,125)
Extended warranty plan	(1,338)	(831)
Cash provided by (used in) operations	(38,732)	29,340
Change in non-cash operating working capital	(10,443)	20,736
Net cash provided by (used in) operations	(49,175)	50,076

FINANCING ACTIVITY

Issue of special warrants	48,201	-
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INVESTING ACTIVITIES

Business acquisition	(12,894)	-
Proceeds on disposal of capital assets	1,056	1,607
Purchase of capital and other assets	(69,961)	(34,301)
	(81,799)	(32,694)

NET CASH (INFLOW) (OUTFLOW)	(82,773)	17,382
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CASH POSITION, BEGINNING OF YEAR	58,945	41,563
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CASH POSITION (INDEBTEDNESS), END OF YEAR	\$ (23,828)	\$ 58,945
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1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The following includes significant policies that have been adopted by the Company where alternatives are available:

(a) Change in year-end

Commencing in fiscal 1999, the fiscal year of the Company consists of a 52 or 53 week period ending on the first Saturday in April.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Future Shop Protection Corp., Future Shop, Inc. and pursuant to a reorganization in the United States during fiscal 1999, Vycom Partners LLP. All significant intercompany transactions are eliminated upon consolidation.

(c) Inventory

Inventory is valued at the lower of average cost and net realizable value. Cost consists of invoiced cost plus freight and duty, net of discounts.

(d) Capital assets, depreciation and amortization

Capital assets are recorded at cost. Internal and external costs incurred to develop internal-use software are capitalized. Amortization of computer hardware and software commences

when ready for use following appropriate testing. Depreciation and amortization are provided using the following methods and rates:

Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	Straight-line over three to ten years
Rental assets	Straight-line over four years
Leasehold improvements	Straight-line over five years

(e) Goodwill and intangible assets

Amortized on a straight line basis over five years.

(f) Extended warranty plan

Estimated costs related to product warranty are recorded at the time of the sale of the extended warranty contract. Management reviews these anticipated costs annually to assess the need for any adjustments which may be required thereto.

(g) Foreign exchange translation

The Company's foreign operation is an integrated subsidiary and its financial statements are translated using the temporal method.

(h) Foreign exchange contracts

The Company is exposed to the risk of exchange fluctuations for goods purchased in the U.S. for sale in Canada. The Company manages this risk with the use of forward exchange contracts which fix the exchange rate on these purchases. All other inventory is purchased in the same currency as it will later be sold. The Company is exposed to foreign exchange fluctuations to the extent of its net investments in the U.S.

The liabilities of the Company which are covered by forward exchange contracts (notional amount) equal \$4,283,707. The market value at April 3, 1999, translated at the spot rate, is \$4,304,321. All of these contracts mature within 2 months.

(i) Earnings (loss) per share

Fully diluted loss per share is equal to basic loss per share as the effects of common shares issuable upon the exercise of options and special warrants would be anti-dilutive.

(j) Adoption of new accounting standards for income taxes

During fiscal 1999, the Company retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants relating to the accounting for income taxes. Under this new accounting policy, future income taxes reflect the tax effect of differences between the book and tax bases of assets and liabilities. In addition, the future income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent that it is more likely than not that a future income tax asset will be realized. Previously, deferred income taxes were based on items of income and expense that were recorded in different years in the financial statements and tax returns, and were measured at the tax rate in effect in the year the difference originated. It is not necessary to restate prior year's financial statements as the adoption of this standard does not have a material impact on the Company's financial position or results of operations in the current or preceding year.

(k) Management's estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities at the reporting date and during the reporting period. In particular, the use of estimates is an important factor in determining the anticipated future costs of the extended warranty plan and in the provision for unexpended costs of closing the U.S. operations. The recorded amounts are based on the Company's best information and judgement, however, actual results could differ from the estimates.

2. BUSINESS ACQUISITION

During November 1998, the Company acquired the Canadian business operations of Computer City Inc. ("Computer City") for cash consideration of \$12,894,000. Computer City sells computer hardware, peripherals, software and accessories to retail customers, corporate businesses and government agencies and provides its customers with technical support and training. The purchase price was allocated as follows based on the fair value of net assets acquired:

	(\$'000)
Net working capital	\$ 9,366
Capital assets	3,310
Intangible assets	218
	<hr/> \$12,894 <hr/>

The acquisition has been accounted for by the purchase method and accordingly the operating results have been included from the date of purchase.

3. CAPITAL AND OTHER ASSETS

	1999		1998	
	Cost	Accumulated Depreciation & Amortization	Net Book Value	Net Book Value
	(\$'000)			
Computer hardware/ software	\$ 37,222	\$ 17,386	\$ 19,836	\$ 4,724
Furniture, fixtures and equipment	66,286	31,397	34,889	45,456
Leasehold improvements	58,451	36,933	21,518	40,860
Rental assets	1,778	1,278	500	1,903
Software under development	37,198	-	37,198	12,627
Goodwill and other	276	-	276	2,699
	<u>\$ 201,211</u>	<u>\$ 86,994</u>	<u>\$ 114,217</u>	<u>\$ 108,269</u>

4. DUE TO AFFILIATED COMPANY

The amounts are owing to a company under common control and are unsecured, non-interest bearing and are repayable during the period expiring in 2009 only from taxable income of Future Shop, Inc.

5. CAPITAL STOCK AND SPECIAL WARRANTS

(a) Capital stock

The Company is authorized to issue an unlimited number of common, preferred and employee participation shares, with no par value. The changes in capital stock issued and outstanding during the two fiscal years ended April 3, 1999 are as follows:

	Number of common shares	Amount (\$'000)
Issued & outstanding at March 31, 1997 & 1998	12,670,000	\$ 29,851
Exercise of special warrants (Note 5(b))	2,000,000	28,200
Issued & outstanding at April 3, 1999	<u>14,670,000</u>	<u>\$ 58,051</u>

(b) Special warrants

The changes in special warrants issued and outstanding during the two fiscal years ended April 3, 1999 are as follows:

	Number of special warrants	Amount (\$'000)
Issued & outstanding at March 31, 1997 & 1998	-	\$ -
Issue of special warrants	3,500,000	48,708
Exercise of special warrants	(2,000,000)	(28,200)
Issued & outstanding at April 3, 1999	<u>1,500,000</u>	<u>\$ 20,508</u>

On March 30, 1999, the company completed special warrant offerings for aggregate net proceeds of \$48,708,000.

The first special warrant offering was issued to a company under common control, and consisted of 2,000,000 special warrants for aggregate proceeds of \$28,200,000, which were exercised on March 30, 1999 for 2,000,000 common shares.

The second special warrant offering, issued pursuant to an Underwriting Agreement, consisted of 1,500,000 special warrants for proceeds of \$20,508,000, net of share issue costs of \$1,149,000 less future income tax recoveries of \$507,000.

Each special warrant issued under the second offering entitles the holder to acquire one common share of the Company, without further payment, during the period ending on the earlier of March 30, 2000 and the sixth business day after the day on which a receipt for a prospectus qualifying for distribution the common shares underlying the special warrants ("Prospectus") is issued by the last of the Securities Commission of British Columbia and Ontario. Any special warrants not exercised prior to such time will be deemed to be exercised immediately prior to such time.

If a receipt for the Prospectus is not issued by the Securities Commission of each of British Columbia and Ontario on or prior to June 28, 1999, each holder of special warrants may elect within a period of ten business days thereafter, to reconvey all or a portion of its special warrants to the Company and receive repayment of the purchase price plus interest.

The Company is in the process of filing the Prospectus in connection with the above distribution of 1,500,000 common shares. The net proceeds from these special warrants are being held in escrow pending the earlier of the exercise of any special warrants or the clearance of the Prospectus.

(c) Stock options

As at April 3, 1999, the Company had director and employee options outstanding for the purchase of 885,835 common shares. These options, which expire between May 14, 2003 and December 13, 2008, may be exercised as to 25% per year from the date of issue of employee options, at an exercise price equal to the market price of the shares on the date of grant which range from \$8.95 to \$25.50 per share. If the optionee and the Company jointly so elect, the optionee will be compensated for the cash equivalent of the value of the stock options, rather than the issuance of shares.

6. UNUSUAL ITEMS

During fiscal 1999, the Company decided to discontinue operations in the United States. As at April 3, 1999, all stores have been closed, substantially all of the inventory has been sold and the majority of employees engaged in activities related to those operations have been terminated.

In addition, during fiscal 1999 the Future Shop Express stores in Canada were closed. Unusual items consist of the following:

	(\$'000)
Closure of U.S. operations	
Cost related to the closure of the U.S. operations, including the liquidation of inventories, termination of real estate obligations, severance of employees & other closure expenses	\$ 47,894
Loss on disposal & write-down of capital & other assets used in the U.S. operation	32,465
Cost related to the closure of the Future Shop Express stores	1,583
Write-down of other assets due to a permanent impairment in the value of a long-term investment	1,888
	<u>\$ 83,830</u>

Accounts payable and accrued liabilities as at April 3, 1999 include approximately \$15 million related to unexpended costs of the closure of U.S. operations.

7. INCOME TAXES

The provision of income taxes is at an effective tax rate which differs from the basic corporate tax rate for the following reasons:

	1999	1998
Combined basic Canadian federal and provincial tax rates	44.05 %	44.05 %
Recovery of (provision for) income taxes based on above rates	\$ 45,249	\$ (1,457)
	(\$'000)	
Increase (decrease) resulting from:		
Lower rate on losses of foreign subsidiary	(3,528)	(2,208)
Benefit of losses of foreign subsidiary not recorded	(22,516)	(9,792)
Utilization of income tax benefits not previously recorded	-	15,970
Other	1,273	(1,859)
Income tax recovery	\$ 20,478	\$ 654

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

As at April 3, 1999, the Company and its subsidiaries have accumulated non-capital income tax losses and capital losses which they can apply against future earnings. The portion of the non-capital and capital loss carryforwards for tax purposes which has not been recognized in the financial statements amounts to \$122 million and \$2 million, respectively. The non-capital loss carryforwards expire in varying amounts to 2019 and the capital loss carryforwards are available indefinitely.

Significant components of future income tax assets and liabilities are as follows:

	1999	1998
	(\$'000)	
Assets		
Depreciable capital assets	\$ 31,060	\$ 16,478
Tax loss carryforwards	27,059	8,697
Non-deductible accruals & provisions	6,699	2,534
Other	2,293	454
	67,111	28,163
Liabilities		
Extended warranty plan	49,798	32,991
Total future income tax asset (liability)	17,313	(4,828)
Less: current portion	14,343	2,648
Total long-term portion of net future income tax asset (liability)	\$ 2,970	\$ (7,476)

8. COMMITMENTS

At April 3, 1999, the minimum future annual payments under operating leases for the Company and its subsidiaries were as follows:

Fiscal years ending:	(\$'000)
2000	\$ 62,916
2001	49,965
2002	51,334
2003	51,573
2004	51,291
Thereafter	157,154
Total	\$ 424,233

9. RELATED PARTY TRANSACTIONS

Related party transactions and balances not disclosed elsewhere in these financial statements include:

(a) charges by affiliated companies consisting of rental costs paid to a company under common control of \$1,091,685 (1998 - \$1,368,777) and administration fees paid to the parent company of \$238,000 (1998 - \$500,000);

(b) accounts payable includes \$1,584,397 (1998 - nil) due to the parent company and companies under common control; and

(c) four U.S. real estate leases were assigned to a company under common control for nominal consideration.

10. SEGMENTED INFORMATION

The Company is engaged in one line of business selling computers, consumer electronic products, appliances, communications equipment and music software through its retail stores, and prior to the closure of its United States stores (see Note 6) operated in two geographic segments.

1999	Canada	United States	Total
	(\$'000)		
Sales	\$ 1,451,071	\$ 509,203	\$ 1,960,274
Cost of sales	(1,129,941)	(416,782)	(1,546,723)
Gross profit	321,130	92,421	413,551
Selling, general & administrative expenses	(281,455)	(119,493)	(400,948)
Depreciation & amortization	(23,093)	(8,403)	(31,496)
Unusual items	(4,562)	(79,268)	(83,830)
Earnings (loss) before income taxes	\$ 12,020	\$ (114,743)	\$ (102,723)
Capital assets & goodwill	\$ 113,265	\$ 952	\$ 114,217
Total assets	\$ 331,366	\$ 7,150	\$ 338,516

1998	Canada	United States	Total
		(\$'000)	
Sales	\$1,251,197	\$ 508,963	\$1,760,160
Cost of sales	(963,538)	(407,235)	(1,370,773)
Gross profit	287,659	101,728	389,387
Selling, general & administrative expenses	(237,360)	(120,426)	(357,786)
Depreciation & amortization	(19,751)	(8,543)	(28,294)
Earnings (loss) before income taxes	\$ 30,548	\$ (27,241)	\$ 3,307
Capital assets & goodwill	\$ 73,742	\$ 34,527	\$ 108,269
Total assets	\$ 293,260	\$ 148,047	\$ 441,307

11. FINANCIAL INSTRUMENTS

(a) Financial risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates, and the degree of volatility of these rates. The Company uses forward exchange contracts as described in Note 1 (h) to hedge its exposure to certain foreign currency risk.

(b) Credit risk

The Company's exposure to credit risk is limited. Accounts receivable are primarily from customers which are a large and diverse group.

(c) Fair value

Fair values of cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities approximate their carrying values.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While the Company is addressing the Year 2000 Issue, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

13. COMPARATIVE FIGURES

Certain of the prior year figures have been reclassified to conform with the current year's presentation.

BOARD OF DIRECTORS

Hassan Khosrowshahi (2)
*President, Chief Executive Officer &
Chairman of the Board*
President, Inwest Investments Ltd.

Behzad Khosrowshahi
Vice President, Merchandising

Edward A. Kotite (2)
Partner, Kotite & Kotite LLP

Gary Patterson (1)
*Executive Vice President
and Chief Financial Officer*

Edwin Charles Phillips (1,2)
Corporate Director

Ian Thomas (1)
President, Thomas Consultants Inc.

(1) member of the audit committee
(2) member of the compensation committee

CORPORATE OFFICERS

Alex Brown
Vice President, Western Operations

Michael DeSandoli
Vice President, e-Commerce

Alan Evanston
Director, Service

Robert Golden
*Director, Store Design & Merchandise
Presentation*

Behzad Khosrowshahi
Vice President, Merchandising

Hassan Khosrowshahi
Chairman, President & C.E.O.

Rozanne Kipnes
*Director, Real Estate Development &
Construction*

Kevin Layden
Chief Operating Officer

Rick Lotman
Director, Merchandising, Music & Video

Michael McEvoy
Director, Resource Protection

Larry Needham
Chief Information Officer

Gary A. Patterson
*Executive Vice President & Chief
Financial Officer*

Kevin Primeau
*Director, Merchandising Information
Products*

Glenn Quarrington
Vice President, Human Resources

Wesley Skitch
Vice President, Eastern Operations

Jeanette Stuart
Director, Human Resources

Don Whilsmith
Director, Distribution

Randolph Zien
Vice President and Corporate Secretary

FUTURE SHOP

STORE LOCATIONS

BRITISH COLUMBIA

Kamloops
Kelowna
Nanaimo
Greater Vancouver (12)
Victoria

ALBERTA

Calgary (3)
Edmonton (5)
Lethbridge
Medicine Hat

Red Deer
Grande Prairie

SASKATCHEWAN

Regina
Saskatoon

MANITOBA

Winnipeg (4)

NEW BRUNSWICK

Moncton

NEWFOUNDLAND

St. John's

NOVA SCOTIA

Halifax

ONTARIO

Ancaster
Barrie
Brampton
Burlington
Hamilton
Kingston
Kitchener
London (2)

Newmarket
Oakville
Ottawa (3)
Stoney Creek
Sudbury
Thunder Bay
Greater Toronto Region (14)
Windsor

QUEBEC

Gatineau
Montreal (7)
Quebec City (2)
Chicoutimi

COMPUTER CITY

STORE LOCATIONS

BRITISH COLUMBIA

Greater Vancouver (2)

ALBERTA

Calgary

ONTARIO

Greater Toronto Region (3)
Ottawa

REGIONAL OFFICES

AND DISTRIBUTION CENTRES

Montreal, Quebec
(Regional Office)

Toronto, Ontario
(Regional Office and Distribution Centre)

Vancouver, British Columbia
(Regional Office and Distribution Centre)

GENERAL

INFORMATION

HEAD OFFICE

8800 Glenlyon Parkway
Burnaby, British Columbia
V5J 5K3

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Vancouver, British Columbia

COMMON SHARE TRANSFER AGENT & REGISTRAR

Montreal Trust Company
Vancouver, British Columbia

ANNUAL GENERAL MEETING

August 19, 1999
1:30 p.m.
Holiday Inn, Metrotown
4405 Central Boulevard
Burnaby, B.C.

PRICE RANGE

OF COMMON SHARES

Future Shop Ltd. Common shares are traded on The Toronto Stock Exchange (TSE) under the symbol FSS. The following table sets forth quarterly trading information on The TSE:

Fiscal Quarters	Fiscal 1999	
	High	Low
First	\$14.15	\$12.00
Second	15.50	9.00
Third	11.00	8.50
Fourth	14.50	8.70

FUTURE SHOP

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